

...FROM THE SENATE GOP HEALTHCARE TASK FORCE

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Opportunities for the Millions Who Lack Health Insurance

**Republicans: Making Healthcare
More Affordable and More Accessible to All**

Opening the Doors to Millions of Uninsured

- The Republican Patients' Bill of Rights addresses the most serious healthcare problem in America today — access — by making insurance more accessible and affordable for the 42 million Americans who are uninsured for at least part of a given year. The Republican bill:
 - ▶ Provides full tax deductibility for the self-employed for their healthcare insurance;
 - ▶ Gives more incentive to employers and employees to utilize flexible spending accounts to pay for healthcare; and
 - ▶ Allows consumers to control their own healthcare choices and expenses through Medical Savings Accounts (MSAs).

Helping the Self-Employed: Full Deductibility for Healthcare Insurance

- The Republican plan permits self-employed individuals to deduct 100 percent of their health insurance payments starting January 1, 1999. Current law limits the deduction to 45 percent, and 3 million self-employed Americans and their families who utilize that tax deduction will immediately benefit from this expansion.
- Of the 25 million Americans in families headed by a self-employed individual (5 million of whom are uninsured), millions more will find insurance more affordable under the Republican plan.
- Full deductibility of health insurance equalizes the tax code's provisions among the employed and self-employed. Corporations are allowed a 100 percent- deduction for health insurance expenses, and employees receive a 100-percent exclusion for health insurance paid by their employers. The self-employed deserve no less.

Expanding Health Options for Employees: Reforming Flexible Spending Accounts

- Flexible Spending Accounts (FSAs) have become a popular means of providing pre-tax health benefits to employees. FSAs are often used, for example, to reimburse employees for medical expenses not covered by insurance. However, current law requires that any money remaining in FSAs at the end of the year be forfeited. This "use it or lose it" rule has limited the appeal of these plans.

- The Republican bill gives greater flexibility to employees who utilize FSAs by permitting them to carry over from one year to the next up to \$500 in unused benefits; that money may be removed from the account, or be rolled over into an IRA, 401(k) retirement plan, or a Medical Savings Account.

Giving Consumers Control: Expanding Medical Savings Accounts

- Senate Republicans provide incentives for consumers to control their own healthcare costs through Medical Savings Accounts (MSAs). MSAs are a market-based alternative for quality healthcare. They offer maximum flexibility for the self-employed, employees, and employers while reducing the out-of-pocket cost of insurance. The legislation:
 - ▶ allows all individuals and employees, (including federal employees) , to contribute to MSAs;
 - ▶ makes MSAs more affordable: it lowers the minimum deductible amount for a high-deductible health plan to \$1,000 for individual coverage, and to \$2,000 for family coverage, and it increases the MSA contribution limit to 100 percent of the annual deductible; and
 - ▶ makes MSAs more attractive: it permits taxpayers with MSA account balances exceeding the amount needed to fund the current year's deductible to withdraw the excess funds for any purpose without a 15 percent tax penalty.
- MSAs give families a greater stake in the healthcare system, by putting consumers who control their own expenditures into the driver's seat.
- MSAs are an alternative health insurance plan with real cost-control benefits for the millions of Americans who have been forced into managed care and want to regain greater control of, and flexibility in, their healthcare decisions.
- For many Americans, traditional health insurance is an expense they can't justify. They see having health insurance pay for regular checkups and other routine medical care making as little sense as having car insurance pay for oil changes. They want insurance to protect against expensive catastrophes, and not to have to go through a third party for every relatively minor or routine expense. The MSA is tailor-made for people like this.
- Today, 84 percent of all medical expenses are paid for by someone other than the patient. Total national health expenditures for 1998 are estimated by the Congressional Budget Office to be \$1.138 trillion. Of that total, 47 percent is paid for by federal, state, and local governments, 32 percent is paid for by private health insurance, and only 16 percent is paid for by consumers out-of-pocket. These market distortions have caused costs to skyrocket. MSAs are the best opportunity to restore real market incentives to healthcare and reverse this trend.